

**Little Hoover Commission Testimony  
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The linkage of affordable housing to transportation is real, intricate, and often controversial.

On December 29, 2001, the *Bakersfield Californian* carried an article describing a recent study indicating that Bakersfield's road and highway system would be overwhelmed in the next 20 years. In discussing the new growth that was driving increased use of their roadways, a public works official stated that new development should carry the burden of needed transportation system improvements and that transportation related fees on new residential units, already exceeding \$2000 per unit, would need to increase sharply. He also indicated it was his department's position to not support controlling where development occurred. At the same time, city planners suggested that changing land use policies in the General Plan to minimize sprawl could reduce traffic problems. The Building Industry Association was quoted as being against large development fees because they favor affordable housing. Yet voters in Kern County have rejected transportation sales tax measures. Recently, the same paper ran an article concerning potential loss of state funding for successful late night bus service that was providing needed transportation for welfare recipients to attend night classes and get to and from jobs.

These issues are not unique to Bakersfield. These same issues can be found affecting communities throughout California and across the nation.

Webster defines "affordable" as "to be able to pay for." Some people define housing affordability in terms of the simple costs to rent or to purchase. Certainly development fees, including those associated with providing infrastructure such as water, sewer and transportation facilities can directly impact the initial costs for new housing units.

As we also know, actual affordability must take into account other demands for a household's income. When jobs leave older city and suburban locations, or when new and ostensibly affordable housing is only available at the urban fringe or in other towns or regions, then the time and cost of transportation to and from work, schools, day care, the store, the doctor, recreation and other services take an increasingly larger bite out of household income, making it harder to be able to pay for housing. At the same time, more and longer trips increase demands on the transportation system.

Affordability and availability of housing is inextricably linked to our decisions on the shape of our communities, as is the structure and performance of our transportation systems. This important relationship is reflected in State law that requires each city and county, in adopting a general plan, to develop land use, circulation, and housing elements as 3 of the mandatory 7 components (Government Code Sections 65300 et seq.).

Historically, the type and availability of transportation has had a major influence in defining the physical structure of our communities. Communities have evolved from being oriented around ports, rivers, canals and railroads, to a pattern now dominated by the roadway. In turn, where we live, work, recreate, and find services all drive transportation demand. Community design, social, political and economic activity and transportation are intertwined.

Transportation problems are often described with terms such as “traffic congestion,” travel delays, unreliable travel times, and reduced safety. These transportation problems can occur when demand exceeds roadway or transit capacity. Transportation problems can be exacerbated when:

- People perceive that the only available, and apparently affordable housing they desire is miles, cities, and even counties away from jobs, schools, shopping and recreation.
- Businesses relocate to the suburban fringe creating “edge cities,” and stranding their transit dependent employees because traditional transit systems don’t typically provide effective service in the “reverse-commute” direction, or from suburb to suburb.

In this context, transportation problems cannot be solved by building additional roadways, interchanges, transit lines and stations, or intercity and commuter railway capacity alone. These actions can relieve congestion in the short term and are very important. But, developing a transportation system to improve California’s mobility in this new millennium in a way that is sustainable, environmentally sound, socially equitable and economically viable, requires:

- Recognizing that transportation problems are symptoms of underlying individual and community decisions.
- Recognizing that transportation projects and services alone cannot solve long-term mobility and social problems.
- Recognizing that “sprawl” development has infrastructure cost implications, and travel cost and time implications, that can directly impact housing affordability and quality of life (I seriously doubt anyone actually wants to commute several hours a day in congested traffic or considers the event life-enriching. They do it to gain other perceived and real benefits).
- Recognizing that many metropolitan area issues, including transportation and affordable housing, are regional in nature, and sometimes interregional, and that addressing these issues require unprecedented levels of intergovernmental cooperation and shared vision.

The transportation community must take a more comprehensive approach that looks at transportation in the context of the forces that shape our communities, and for that reason it is very appropriate to be concerned about housing affordability.

The good news is that transportation agencies are starting to meet this challenge.

With the above as background, my intent today is not to deliver a polemic condemning “sprawl development,” nor to debate the relative merits of different forms of local and regional governance. Rather, I would like to offer several suggestions of how transportation decisions can support the availability of affordable housing, and in return benefit the transportation system.

### **How Transportation Decisions Can Enhance Housing Affordability**

Transportation funds are collected from the public with the expectation they will be used to meet transportation needs and related activities. There are more transportation needs and desires than there are funds to support them. Any expenditure of transportation funds should have a reasonable nexus to improving mobility and access for people, goods, services and information.

However, since transportation and community development are interconnected, the availability and location of affordable housing can have a positive impact on reducing overall transportation demand, and increasing the use and effectiveness of the transportation system. The appropriate investment of transportation funds in projects and services can foster affordable housing and yield a long-term transportation benefit.

- Transportation investments can support the vitality and redevelopment of urban areas and first ring suburbs, including brownfield and grayfield areas, where infrastructure already exists and affordable housing can be developed. Such redevelopment can in turn serve to increase transit usage and efficiency. It also can promote walking and bicycling usage.
- Local agencies can use their discretionary transportation funds, such as Congestion Mitigation and Air Quality (CMAQ) and Transportation Enhancement Activities (TEA) and Regional Surface Transportation Program (RSTP) to help support transit oriented development, redevelopment and affordable housing development. Local agency provided transportation improvements can be used to offset some of the total cost of Transit Oriented Development (TOD), or other development that includes affordable housing.
- State transportation investments can be prioritized with the intent of targeting areas where local investments in transportation facilities and transit services,

and local decisions on development help to increase the long-term return on the State's transportation investment.

- Transportation planning funds can be used to jointly plan transportation services and community development to maximize return on future investments, and ensure the transportation system complements community growth and vitality.

### **Who Makes Transportation Investment Decisions**

Transportation planning and programming in California is a complex process shared among multiple public and private entities. The process is regulated by federal and state statutes, federal and state environmental regulatory agencies, and influenced by organized interest groups and political and public will.

In accordance with state and federal laws, the majority of transportation decisions are made at the regional level. In California, 75 percent of state and federal transportation revenues available for new projects are allocated to regional transportation planning agencies. This is consistent with the philosophy that these agencies are closest to the local problems needing solving, and represent the cities and counties, where land use decisions are made. Most metropolitan regions in California have supplemented state and federal transportation funding with resources generated from local sales tax measures. These funds can be used for roadway and transit projects on or off the state highway system.

The remaining 25 percent of resources available for new projects are reserved for interregional projects selected by the California Department of Transportation (Department). This is intended to support the movement of people and goods to, and through, California's metropolitan regions, as well as providing rural access. Large interregional projects in urban areas usually require cooperation and funding from multiple sources to ensure completion.

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail and transit improvements throughout California. The Commission also advises the Administration regarding transportation policy.

According to the Legislative Analyst's Office, in fiscal year 1999-2000, California spent about \$15.5 billion in public funds on transportation. In addition, the private sector spends billions of dollars to purchase and operate the vehicles that travel over the transportation network and to build, operate, and maintain privately owned railroads, and in some cases, ports and airports. The following provides a brief overview of public transportation fund sources and allocations.

Transportation in California is funded from a variety of state, local, private and federal fund sources. State funds consist primarily of the state excise tax on gasoline and diesel fuels (18¢ per gallon) and truck weight fees. Additional fund sources include most of the state sales tax on diesel fuel, bond proceeds user fees, and private revenues (AB 680) and appropriations of General Fund revenue. Until recently only a small portion of the state sales tax on gasoline was allocated to transportation. In 2000, the Governor's Traffic Congestion Relief Program dedicated the State's portion of the sales tax on gasoline to transportation purposes for five years (now seven years).

Local funds constitute about half of all public funds spent on transportation. Over one-third of local funds for transportation are derived from optional local sales taxes on all sales and is dedicated for transportation purposes; the balance is made up from the Local Transportation Fund, transit fares, fees, assessments and other local funds.

### **How Transportation Funds Are Being Used To Enhance Communities and Housing Affordability**

The following present some current examples of the ways in which transportation investments can positively affect the availability of affordable housing.

- Governor Davis's \$5.2 billion Traffic Congestion Relief Program (TCRP) recognizes the importance of balancing transportation investments and provides approximately 60% of its funds for improving transit services. Investment in transportation infrastructure enhances the economy. By conservative estimates, every \$1 billion invested in transportation projects and transit services yields 26,000 jobs, and a nearly \$3 billion increase in the gross state product. This illustrates how transportation creates jobs and improves the economy. When people work, they are more able to afford housing.
- The availability of transit services, combined with proximity of stores, jobs, and other services, may also encourage the use of Location Efficient Mortgages (LEMs) to make home ownership affordable.

Under a LEM program, people qualify for larger loan amounts if they choose a home in a more densely populated community that is well-served by public transit, and where destinations are located close together so that they can also walk and bike. With the LEM these transportation cost savings are counted as "available income" when the lender calculates the amount of loan a borrower can qualify for – stretching borrowing capacity significantly in efficiently-planned neighborhoods.

Fannie Mae, the Federal National Mortgage Association, has sanctioned a test of LEMs in the San Francisco Bay Area, the Los Angeles/Orange County area, Chicago and Seattle. An evaluation of the program is planned for March 2002.

- In 1998, the Metropolitan Transportation Commission (MTC) established a Transportation for Livable Communities (TLC) program that provides planning and capital grants to support streetscape improvements, transit-, pedestrian-, and bicycle-oriented developments, and related strategies to bring a new vibrancy to downtown areas, commercial cores and neighborhoods. These grants are designed to enhance community amenities and ambience, and help make places where people want to live and visit.

Initially, the program provided planning grants, technical assistance and capital grants to help cities and nonprofit agencies develop transportation-related projects fitting the TLC purpose and goals. In November of 2000, the program was expanded to include a Housing Incentive Program (HIP).

The HIP is primarily funded from MTC's discretionary RSTP funding, and it seeks to maximize public investments in transit infrastructure, encourage transit use, and address regional housing needs by:

- Increasing the housing supply in core areas of the region where transportation infrastructure already exists to serve transportation needs.
- Supporting communities where walking, bicycling and riding transit are viable transportation choices.
- Encouraging transit ridership through the location of housing and mixed-use development at transit stops throughout the region.
- Forging partnerships between transportation and land use decision-makers by offering incentives to encourage TOD.

Eligible projects include transportation-related improvements such as streetscapes, transit villages, bicycle facilities and pedestrian plazas. The transportation project may be located anywhere within the local jurisdiction.

It is an incentive program, and does not provide direct funds for siting or construction of housing, affordable or otherwise.

- The explosive growth of jobs and traffic on the Peninsula in recent years spurred the San Mateo City and County Association of Governments (C/CAG)

to find a way to promote smart land use that takes advantage of the county's existing transit network.

C/CAG's TOD Incentive Program encourages municipalities to locate new residential projects within a one-third mile radius of Bay Area Rapid Transit (BART) and Caltrain stations by offering them a financial inducement. Communities can earn up to \$2,000 per bedroom built for housing constructed in proximity to transit stations and providing at least 40 units per acre.

As a result of C/CAG's initiative, five projects are already in development. They will add approximately 1,300 bedrooms, as well as retail and office space, in the vicinity of transit stations. Two of the developments are located in the city of San Carlos, and one each in the cities of Millbrae, Redwood City and Colma.

- An affordable housing development adjacent to the Ohlone-Chynoweth light-rail station in San Jose included the redevelopment of an under-used park-and-ride lot into housing and community facilities including 240 park-and-ride spaces, 330 affordable housing units, 4,400 square feet of retail and a day care center.
- BART and the Santa Clara Valley Transportation Authority (SCVTA) are engaged in programs that impact housing. These agencies are allowing their property to be used for TODs. The most recently adopted strategic plan adopted by BART provides:

*"In partnership with the communities that BART serves, we will promote transit ridership and enhance the quality of life by encouraging and supporting transit-oriented development within walking distance of BART stations."*

- The Portland Oregon Metropolitan Planning Organization (MPO) instituted a Joint Development Program that uses flexible funding. Metro operates the program that took ten years to develop and coordinate with the Federal Transit Administration (FTA) makes TOD residential projects eligible for FTA funding using Transportation Equity Act for the 21<sup>st</sup> Century (TEA 21) STP flexible funds. The policy on Transit Joint Development provides that a residential development be considered part of a transportation project if it enhances a transportation component. Under their program Metro transfers these flexible funds from the highway account to the transit account. Metro then "writes down" the land value to offset "TOD related cost penalties accrued by the developer and the benefits the TOD project elements have on inducing transit ridership." In essence, write-downs are justified against the public benefits of locating intense mixed-use development in station areas in advance of market forces.

- Governor Davis' Traffic Congestion Relief Program (TCRP) provides funding to build several new parking structures near existing or planned major transit stations that will directly assist the implementation of TOD. Parking structures near major transit stations are preferable to expanses of surface parking which often are an impediment to people who live or work in communities nearby. Yet, many local agencies and TOD developers report that it is very difficult to obtain sufficient funding to build structured parking for TOD. The TCRP includes \$18 million for parking structure projects in Richmond, Livermore, Los Angeles and South Pasadena.
- As we discussed previously, the State of California allocates transportation funds for new projects and services through the State Transportation Improvement Program (STIP). The STIP is funded through a number of federal and state revenue sources, and includes two major components, the Regional Transportation Improvement Program (RTIP) and the Interregional Transportation Improvement Program (ITIP). The RTIP receives 75 percent of the STIP funds, which are administered by the regional transportation planning agencies, while the remaining 25 percent of the funds go to the ITIP that is developed by the Department and adopted by the CTC. The ITIP is intended to fund improvements to the interregional capacity and operations of state highway and rail systems, to provide mobility not only between rural and urban areas, but also through urban areas.

For the proposed 2002 ITIP, the Department asked its districts to examine candidate projects using four themes: completing the Interregional Transportation Strategic Plan focus routes; improving goods movement; encouraging rural funding partners; and reducing congestion and providing livable communities. These themes provide a focus on identifying those needed improvements that can provide the best return on investment.

The "Reduce Congestion and Promote Livable Communities" theme, included the following:

*Coordinated planning between regions must address the cumulative impacts of major employment generators, the location of affordable housing, capacity of transportation facilities and availability of cross jurisdiction transit/rail services needed to reduce traveler delay and environmental impact within and between regional areas.*

Although the ITIP does not allow direct funding for affordable housing, it can provide a higher priority for a transportation project if affordable housing is coordinated between the respective regions. California's Regional Transportation Planning Agencies should consider including livable communities/affordable housing criteria for RTIP project selection.

- The Department recently delegated policies intended to encourage transportation facilities development to complement community development goals.

The policy on accommodating non-motorized travel statement supports affordable housing by considering the needs of non-motorized travelers (including pedestrians, bicyclists and persons with disabilities) in all programming, planning, maintenance, construction, operations and project development activities and products. By accommodating non-motorized travel, communities can realize a reduction in costs associated with transportation infrastructure and have transportation options that results in personal savings. Communities that are walkable and bikable are also more “transit friendly.”

The Department's context sensitive solutions policy supports and provides innovative and inclusive approaches that integrate and balance community, aesthetic, historic, and environmental values with transportation safety, maintenance, and performance goals. Context sensitive solutions are reached through a collaborative, interdisciplinary approach that involves all stakeholders, and this effort recognizes and supports solutions that impact affordable housing.

We encourage local and regional transportation agencies to embrace the principles behind these policies.

- The Department's local planning efforts were enhanced when the Office of Community Planning (OCP) was established approximately two years ago to address a statewide need for community-sensitive approaches to transportation decision-making and to enhance the Department's leadership role in the development of community-based transportation planning.

OCP provides funding to support planning studies that support innovative examples of livable community concepts, and helps leverage other sources of funds for developing and implementing improvements. These studies must support commonly understood livable community concepts. The projects must be compatible with the state housing policy objectives, including affordable housing.

- The Department has also supported other special studies and projects that address the relationship of transportation and community development.

The Sustainable Communities Study was prepared by *The Mineta Transportation Institute*, commissioned by the Department. The primary objective was to identify actions that the state, including the Department, regional and local governments, and the private sector could take to address growth in a sustainable, smart, and livable manner.

The Department's Division of Mass Transportation (DMT) is nearing completion of a major "Statewide TOD Study" that explores the status, opportunities, and impediments to implementing TOD in California, and presents recommendations regarding State implementation strategies.

Since last fall, this study has been guided by a Policy Steering Committee that includes representatives of several State departments, regional groups, local governments, transit agencies, private-sector banks and developers, affordable housing proponents, and environmental groups.

The primary objective of this effort is to provide information about TOD in California and outside the state, including the benefits of TOD, barriers to its broader implementation, and recommendations regarding what the state of California, the California Department of Transportation and other state agencies, could do to encourage and help facilitate the broader implementation of TOD. We expect to release the complete final study report early in 2002.

- The Partnership for Integrated Planning (PIP) Merced Pilot project is a collaborative effort by the Federal Highway Administration, United States Environmental Protection Agency, the California Department of Transportation, and the Merced County Association of Governments. The PIP is an outgrowth of a partnership effort that started in 1999, to improve communication, quality, timeliness, and introduce environmental issues early in the transportation planning process. This collaborative effort will benefit future transportation and land use decision-making that will have a positive impact on housing through early agreement and consensus building.
- The Department is collaborating with Housing and Community Development (HCD) to look for opportunities to assist each department and our communities in improving transportation and addressing housing needs, and also thereby promoting interagency cooperation.

### **Conclusion:**

Transportation investment decisions can affect the availability of affordable housing. Availability of transit, and community designs that promote walking and local shopping and other services, and safe access to schools, can reduce transportation costs and therefore increase the amount of household income available for mortgage and rent payments. Transportation Enhancement

Activities projects can increase the desirability of established areas already possessing transportation infrastructure and reduce the need for more costly “sprawl” development. Other transportation funds may be used to “underwrite” total costs of developing affordable housing by providing facilities that must otherwise be provided by developers or development fees tacked onto the cost of housing.

Supporting efficient community designs, including availability of affordable housing, is good business-it maximizes the return we can receive on our transportation investments.

Thank you.